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General Trading Companies Prospects

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GENERAL TRADING COMPANIES' PROSPECTS

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[Text] **Can They Reorganize on Their Own?**

General trading companies are presently engaged in a bold self-imposed reorganization move. While introducing the concept of the "survival of the fittest" in the treatment of employees, they are rushing personnel administration system reforms which tear down vertically structured organizations in order to secure superior personnel for new operations and priority fields. They are willing to face challenges in business development. The aircraft business of Mitsui & Co. will not show profits until the 21st century for the business division in charge and in its theme park enterprise, Mitsubishi Corp. has even established a clown training school to accumulate "software" assets which will become the key to success. They are prepared to accept high risks in the creation of new commercial rights. For the fiscal year ending March 1989, the companies showed their best performance records ever and appear outwardly to be in good shape but they are relying heavily on the robust and durable economy and on sophisticated financial management, including low interest fund procurement from the capital market. Centered on the commodity sector, exclusion of general trading companies is continuing and the fear of being left behind, if they remain as they are, is spurring the leaders of each company to reform. In a desparate effort to keep pace with economic structural changes, the companies are accelerating the strategy to nurture branch network and project enterprises. The future image of general trading companies, which has begun to appear beyond the current operations resembling dissolution, is that of the "conglomerate."

Undertake Radical changes in Personnel Administration despite Internal Frictions

Bonus Differentiation Among Divisions at Mitsubishi and Open Recruitment of President at Mitsui

General trading companies have changed employee handling methods and begun to reorganize the personnel administration system. While reassessing blind equalities, such as the granting of same pay regardless of work performance, they are tearing down the vertical alignment which is reluctant to release personnel to new divisions or subsidiary companies.

Since this is a reassessment of an area which had been considered sacred, internal frictions are extensive but the companies are suppressing dissatisfactions and proceeding drastically with system restructuring. An underlying factor is the strong sense of crisis that they will be left behind in this age if they remain as they are.

Forty Percent Bigger Income With Same Seniority

Mitsubishi Corp. has abolished the passive principle of equality, which had been a special feature of Japanese management, and is boldly taking steps, one after another, to show differentiation in personnel treatment. What became the topic of conversation in the trading circle was the favorable treatment of dealers. The strategy was to greatly increase the bonus if the profit goals set by different individuals were achieved. Three currency dealers, one capital-securities dealer and the precious metals and crude oil teams participated in this competitive system. Of them, the capital-securities dealer, who had established Y300 million as his goal, has already earned profits of Y250 million by September and seems certain of reaching his goal.

The average annual income of a 35-year old employee at Mitsubishi Corp. is Y9.8 million (FY89 estimate). Of that, approximately 40 percent is bonus. "The bonus is doubled if the goal is reached" (Shinichiro Ota, managing director in chage of the finance division) so the annual income of this dealer should amount to approximately Y14 million. Among his colleagues with the same seniority, he will be receiving the highest remuneration which he could not have realized, heretofore, no matter how good his performance in any business division.

One of the reasons for installing this system was to prevent the proselytization of dealers. With treatment based on the normal pay system, there is a possibility that superior employees might be taken away by foreign capital-affiliated banks and securities companies. For Mitsubishi Corp., which is strengthening its finance division through such means as the establishment of profit centers, the departure of outstanding dealers would be a troublesome problem. More than that, however, the bigger objective is to invigorate the company through introduction of differential treatment measures which might be said to be intentional.

Mitsubishi's harsh merit system is not limited solely to the special occupational category of dealers. A "business performance evaluation system" is already in place to create differences in annual salaries in accordance with the performance results of business divisions. Profit target figures for every half-year period are set for different product-based business groups, such as metals, fuels, etc., and if these targets are reached, special allowances are given as performance evaluation shares in bonus payments.

There are three ratings of "A," "B," and "C" in the evaluations and nothing is given for the "C" rating but Y50,000 is given per person to the "B" rank while Y100,000 is given per person to the "A" group. If a division of 1,000 persons is graded with the "A" rating, Y100 million is set aside as a special payment fund, aside from the regular bonus. This fund is distributed among the various divisions by the headquarters chief in charge of the group and division chiefs make further allocations to teams (equivalent to sections). Apportionment is left to the division chief so certain sections or teams can be specially rewarded. Consequently, there will be considerable differences between employees of the "A"-rank group who were given speciai allocations and employees

of the "C"-rank group. In fact, according to a certain employee of the machinery group, his summer bonus, which he happened to compare with that of another employee with the same seniority, was greater by over Y200,000.

Marubeni Corp. Evaluates for Bonus Cuts, Too

Marubeni Corp. has adopted similar measures, too, but limited to management personnel of the ranks of section chiefs and above. The arrangement is to give evaluations of five grades based on contributions to the company, such as profits, growth rates, etc., and to increase or decrease the bonuses, themselves, according to the evaluations. Management personnel of divisions given plus evaluations of 5 or 4 receive supplements of 5 or 3 percent, respectively, as performance shares to their average bonuses while conversely, payments to divisions rated 2 or 1 are reduced by 3 or 5 percent. The use of minus evaluations makes the system more severe than that of Mitsubishi and a difference of 10 percent in bonus payments can be calculated between 5 and 1 ratings.

To clearly differentiate pay scales on the basis of performance results of different divisions, though in the same company, is an exceptionally rare system not only for trading firms but for all Japanese enterprises. To differentiate according to evaluations of individual employees is common but is seldomly seen on the division level. If the treatment begins to differ, depending on the assigned divisions, opposition can be expected by employees claiming that they entered companies called Mitsubishi or Marubeni and not divisions. It might be correct to say that though the companies are aware of that, they are still trying to install an incentive mechanism based on differential treatment.

Mitsubishi Corp. adopted another financial compensation measure. That was the arrangement to allow unlimited increases in bonuses of temporary transferees on detached assignments. Depending on the merit evaluation of the chief of the subsidiary's management staff, bigger bonuses than those of main office employees can be received. "It is unfair for employees, who are dispatched to subsidiaries with working environment that is entirely different from the Marunouchi district and who have to work weekends, to receive the same bonuses as main office employees." That is the reason given by the secretariat of the executive board (composed of the chairman, the president and five vice presidents).

Together with this system, as preferential treatment of temporary transferees, Mitsubishi decided to give entitlements, outside the normal framework, when they return to the main office. This measure is intended to prevent employees who return from detached assignments to be in a disadvantageous position for promotions.

It is claimed that depending on their implementation, these two systems could increase personnel expenses by several billion yen annually. Moreover, partly because these reforms are being carried out arbitrarily from above, the personnel department which has basic jurisdiction over these accommodations raised objections. They implied that, "Temporary transfers to subsidiaries are part of company duties. There was no such favorable treatment in the past and there is no necessity to make speciasl changes in the handling." However, under the "authority" of the executive board, these measures were pushed through with the reasoning that "unless this much was done, excellent personnel cannot be detached for temporary duties." Such internal developments were reported to have taken place. Susumu Kaji, acting secretariat chief of the executive board, states flatly that, "Now, the development of new businesses is the primary task. The situation is different from the past." It can be said to be an expression of Mitsubishi's will to nurture subsidiaries even if internal frictions are created.

Complaints about payment inequalities are beginning to come in from overseas. C. Itoh & Co. drastically altered the compensation structure in the United States early this year. Heretofore, performance evaluations, which serve as the basis of the pay scale of employees on detached duty from Japan, were tied to Tokyo and no matter how good the achievements in the United States, aside from overseas allowances, the computation base was pratically the same as for employees with similar qualifications in Tokyo.

General trading companies consider the spotting of new U.S.-based enterprises as an urgent task and are planning for the development of subsidiaries. However, even if one takes the initiative, one cannot receive the exceptional salary of an American manager who was pulled out from another company and placed at the top of the subsidiary. On the other hand, even if one is not accustomed to working in the United States, he will be automatically assured of his salary. This seems unfair to local-hire Americans who consider the merit principle to be only just and proper.

C. Itoh & Co. (America) established the U.S. standard of qualifications and performance reviews and will gauge Americans and Japanese with the same measuring stick. Vice President Takehito Takahata, who is stationed in the United States, says, "If a person with the same salary as another person in Tokyo comes to the United States, differences of about 20 percent, more or less, will appear in their annual incomes."

While saying that people were financial assets, trading companies, which had been trying to bring in the Japanese-type uniform society to the United States, are finally beginning to realize that "blind equality" is "inequality."

"Proselyte" Without Permitting Complaints

In Mitsui & Co.'s personnel reshuffle in September of this year, two employees were transferred in a manner that was unprecedented in the company's history. They were the candidates for the management executives of a new business who were selected through the first open

recruitment within Mitsui. They were transferred to the services business division, responsible for 30 affiliated companies including food services. Seiichi Shimada, planning section chief of the operations division, who installed this system says, "After watching their performances for half a year, we will engage them as managers." It might be called an actual open recruitment of a company president. There was a case in the past where an employee who proposed a business idea became the president of a new company, namely, President Tetsuo Tsuchiya of Mitsui Bussan Digital, but open recruitment is absolutely the first such instance.

Mitsui did not publicly announce this personnel change within the company, much less to the outside. A certain middle-rank employee of Mitsui said that "there was absolutely no word on who was to be transferred from what department and what he was going to do," even immediately prior to the transfer. In the company processing, following the notice signed by the personnel division chief in early summer of this year, everything was kept confidential except to those directly associated with the selection.

Although a company president was involved, it was a personnel reshuffle affecting affiliated firms. This cautious approach seems odd even to outsiders. However, in the operational environment of general trading companies, where various divisions, such as steel, chemical products, etc., have powerful rights like those of independent companies and where an employee is associated permanently with the division to which he is first assigned, discreet consideration had been required to this extent.

Whatever the reason for applying, the applicant might be regarded as having revolted against his assigned division. If he fails to be selected, he will feel all the more uncomfortable about remaining. On the other hand, division chiefs, whose own performance appraisals are effected by their subordinates' accomplishments, will probably try to stop outstanding subordinates from applying. Preservation of confidentiality in applications was absolutely necessary.

Mitsui's sense of crisis is revealed in its determination to proceed with the open recruitment knowing full well the difficulties involved. Unless the vertically-structured organization is changed radically and mobility in personnel placements is heightened, changes in economic structuring, such as the trend toward information and service industries, cannot be coped with. All of the general trading companies are organized vertically, on the basis of the commodity handled, and personnel administration authority is held by the chief of each division. "If a business division is asked to release 10 persons for infusion into a priority sector, about nine are persons judged unnecessary by that division. Excellent personnel are not released so simply" (statement of a middle-rank Mitsui employee). If such a situation continued, the business division might prosper but the company will perish. Would it be an exaggeration to say that the open personnel recruitment was Mitsui's only choice after being driven into such a tight corner? In that sense, this was not a single shot but the primer for overall restructuring of Mitsui.

The two persons selected from 35 applicants are 35- to 37-year olds who belong in the category of section chief or acting section chief. They are employees in the prime of life. One person was transferred from the finance-accounting division and the other from the machinery division and it so happened that both had studied overseas. Three persons had been sought but Kunio Mifune, a section chief in the personnel division, states, "Two persons received the highest rating. Ignoring the table of organization, the selection was limited to two persons." Unlike past transfers to new projects which were concerned only with assembling a certain number of persons, there has been a definite change in the selection method. "The transfers were carried out through orders from the top and former affiliated divisions were not permitted to complain," (Shimada, chief of corporate planning office).

Other trading companies are also engaged in eliminating the harmful effects of vertically-oriented personnal administration. Mitsunari Takimoto, chief of the development coordination office, who is in charge of the development group for new projects, etc., of C. Itoh & Co. complains that, "I am frustrated because the business divisions do not send us good personnel. We are constantly unable to obtain personnel we want." However, utilizing the so-called "U-turn system" of returning the personnel after 2 or 3 years, he secures outstanding personnel and when the time comes for them to return, he says that, "he tries to retain them permanently through personal persuasion." Takimoto states, "I want to change the permanent positions of half of the 75 employees who are here under the U-turn system to the development group in the near future." Every company is trying desparately to secure personnel for the management staffs of companies which are to undertake new businesses.

Takimoto's next step is to secure personnel through open company recruitment. C. Itoh has failed in the past in public recruitment. Between 1970 and 1973, public recruitment was carried out on two occasions for new recreation projects. The company claims that the projects were not successful ultimately and the recruited personnel returned to their original positions but the company was looked upon coldly and suffered considerably. However, there is now a "saucer" called the development group. Takimoto believes that the conditions to make public recruitment successful are being established.

"Challenge Post" Scares Managerial Staffs

Of course, the disruptions accompanying open recruitment are greater. At Mitsubishi, which installed the company recruitment system called "challenge post"

since 1985 and seems to have made the system permanent with the transfers already of 85 persons, the managerial staffs of existing business divisions from which personnel are being taken away, one after another, are constantly in fear.

It is reported that in the case of employee "A," who was transferred out from the commodity division in the "cha-re-pon" (term used in the company for the "challenge post" program), his superior became aware before the unofficial company announcement that he might be transferred and started actions to restrain him by privately releasing news of the pending division transfers. Mr. "A" says, "In the end, I admitted that I was moving to the challenge post but made them acquiesce by blustering that 'I am a man, too.' At Mitsubishi, the business division has the personnel administration authority so if a person is transferred by going over the division head, the action becomes nasty."

For the long-standing business divisions, which had been reluctant until now to release people even if so ordered, having young employees volunteer and transfer out to other divisions, even before they are aware, is not a pleasant development. For the management staff of the deprived division, this is a "fearful challenge post program."

Yet, Mitsubishi is beginning to escalate the system. Using the challenge post program, scouting is actually being done within the company. Last year, the corporate information division, which is responsible for intermediary functions in M&A's (mergers and acquisitions), targeted U.S. business school graduates working in various divisions and made them apply after gaining their assent. Osamu Ebihara, chief of the corporate information division, reveals that, "Special personnel are needed for business functions, such as M&A's, so selective appointments are necessary. This was an order from Chairman Yohei Mimura." General trading companies have begun to tear down the vertical personnel structure from the top down.

General trading companies are clearly accelerating the pace of reforms. The wave of reforms is hitting Mitsubishi Corp. first, simply because its sense of crisis was strongest after dropping from its past top spot in sales to 5th place in FY86. The situation is the same, more or less, for other trading companies, too. Then, what is the source of this sense of crisis?

Is Escape Possible From "Low Value-Added Structure?"

Anxiously Developing Commercial Rights—Aircraft, Communications, Theme Parks, Etc.

General trading companies' commodity business, the foundation of which has been pointed out long ago as weakening, appears finally to be on the decline. "Low value-added structure" has become a permanent feature and the exclusion of trading companies by manufacturers has gradually become noticeable.

While placing upon themselves big risks in the challenge to establish new commercial rights, companies have begun to carry out personnel administration restructuring and develop new enterprises in earnest. Caught between added value and high risks, trading companies are being rocked but the time remaining to solidify the earnings base is limited.

Mitsui & Co.'s chemical products division, which was favored by the domestic-demand economy, earned business profits of approximately 7 billion and several hundred million yen in the year ending March 1989. It is an outstanding division, which together with steel products, boasts earnings which rank 1st or 2d among the business divisions. Since so much profit was being earned, reporters anticipated some opposition to the question, "is there a future for the brokerage business of commodities?" However, the answer by Goro Watanabe, chief of the chemical products administrative division, made the reporters aware again that the future of the commodity business was indeed dark.

"Recently, we have been telling the top officials of petrochemical manufacturers, 'not to let us dream too much'." The "dream" mentioned by Watanabe refers to the expectation that Mitsui can handle the highly functional new materials. When manufacturers develop new materials, there are many cases where trading companies are asked to handle initial sales. Moreover, since the volume is small, brokerage rates are allowed to be set high at about 10 to 15 percent. Naturally, Mitsui hopes to market the product on a large scale and scurries about synthetic fiber and resin manufacturers to hustle sales.

However, when the sales volume is increased through hard work and reaches a reasonably sizeable sum, such as 5,000 tons per month, the manufacturers' attitude changes abruptly. Reportedly, the situation develops into one where the manufacturers claim that, "Things will not go well unless we transact the sales, which include technical guidance, so we shall ask Mitsui to drop out." Watanabe's feelings are that, "high value-added products are the lifeline of manufacturers so I understand if they want to do it themselves but if that is so, I do not want them to give us false hopes for the future. It is unfair to let us down after getting the most from us."

Mitsui Frowns on Exclusion of Trading Companies

Not only petrochemical manufacturers but synthetic fiber and resin manufacturers, which are chemical product users, are moving to exclude trading companies. In procurement of raw materials, Toray Industries is gradually switching, starting with new products, to direct dealings with petrochemical manufacturers. For example, trading companies were bypassed for procurement of raw materials for Nylon-66. Yasuo Asakawa, raw materials division chief, states, "The intelligence function of trading companies, which was valuable in the past, has weakened so we want to start eliminating places which can send us only vouchers."

Trading companies' predicament in not being able to increase transactions in new materials is clearly seen in the growth of profits. Mitsui's chemical products division already showed profits of Y6 billion in FY78. Considering the inflation of the last 10-year period, the figure of 7 billion and several hundred million yen for this fiscal year is tantamount to zero growth. During that period, while petrochemical manufacturers as well as resin and synthetic fiber manufacturers have increased their profits respectively, in spite of the market turns, only the trading companies have been left behind.

Top officials of the steel products division, the other representative unit of the commodity business, also show deep concern. The fact that steel transactions by general trading companies came under attack at the U.S.-Japan Structural Defensive Initiative conference, which began in September, is one of the reasons but all of the trading companies are most concerned now with the emergence of manufacturer-affiliated and user-affiliated trading companies. Of course, looking at the overall domestic steel market, the intermediary role of general trading companies as the first-stage wholesaler is still large but when it comes to the automobile market, which is the largest user, gaps have certainly begun to appear in transactions by general trading companies.

According to Tadashi Itoikawa, Mitsui's managing director in charge of the domestic steel division, "To cite an example, with respect to steel for Nissan Motor Co., Kawasaki Steel Corp. has direct dealings for 60 percent, Sumitomo Metal Industries also has 60 percent and Kobe Steel, 50 percent." Other companies, too, such as Toyota Motor Corp. and Honda Motor Co., have few purely direct transactions but their moves to shift to trading companies in their own network, such as Toyota Tsusho and Honda Trading, have become noticeable.

Even the steel manufacturers, themselves, are showing strong tendencies to shift to affiliated trading companies, with the idea that if they have to pay the same brokerage fees, they might as well favor their affiliates. Even the Nippon Steel Corp., which stresses "cooperation," is gradually shifting, mainly with new products, to Nittetsu Shoji and Nippon Steel's vice president, Shuichi Kimura, states, "Nittetsu Shoji is already handling 15 or 16 percent of the domestic shipments." At businesslike Kawasaki Steel, approximately 70 percent is shipped via Kawatetsu Shoji.

The picture would be bright if the move is toward bigger profit margins, even if commercial privileges diminish, but the structure, which does not produce profits commensurate with the time spent, has become permanently fixed. The steel users' shipping instructions with just-in-time requirements are extremely demanding and the burden of trading companies, which are responsible for deliveries, continue to increase. After going through the stages of loading, secondary processing, inventorying, etc., deliveries must be made to users in units of several tens of kilograms in compliance with the users' shipment orders.

Cracks in "Steel Trade"

For the benefit of medium-and-small enterprises which cannot spare personnel for a purchasing department, there is a "superservice" to make deliveries after receiving production plans and calculating the required volume. There is a brokerage fee of 3 percent but it is certainly not a profitable business after deducting interest burdens and high personnel costs. Trading companies are justified in complaining that, "Although they are not willing to undertake their own deliveries, users try to lower prices with claims that brokerage fees are idle funds, etc."

It is a fact that users, too, do not really want to undertake the troublesome deliveries. A certain Mr. "B," who is in charge of purchasing for an automobile manufacturer, says bluntly that, "We have no intentions whatsoever to handle deliveries. That will probably be unprofitable and those who have to do the job will probably hate the extremely simple office routines and inventory management. If people are to be employed, it is better to have them do higher value-added tasks." In other words, it might be appropriate to say that trading companies are carrying on domestic steel transactions, in spite of the low labor charges, because simple and time-consuming tasks, disliked by users, have been forced upon them.

Still, since the volumes handled by trading companies are large, there are no losses but the doubt remains whether the job is suitable for a high-salaried businessman who has graduated from a first-rate university. The aforementioned Mr. "B" says sympathetically that, "I feel sorry for trading company employees who are still making the rounds of users to get orders or doing delivery work even after they reach 40 years. To be frank, those are types of jobs that can be done by newcomers." In trading companies' steel divisions, there are jobs befitting trading companies, like development of overseas sources of raw materials, but the majority of duties are concerned only with preserving commercial privileges and are a regrettable waste of first-rate brainpower.

The low value-added structure of the trading companies' commodity business is nothing new. To cope with it, so-called internal division restructuring, such as participation in "downstream" market operations and manufacturers' product development, has been attempted in the past. However, noticeable results have not been attained so far. Shigeo Sugita, managing director and chief of the steel division 1st headquarters of Marubeni Corp., says, "We are attempting various high value-added processing but there are difficulties. If the goal is 10, we have accomplished only up to 1.5."

If converting the commodity business to a high value-added operation is structurally difficult through internal division restructuring, the only means left is to create commercial rights independently and seek added value there. The course is to stop being a simple sales clerk and

change to a "player" through drastic changes in business methods and cultivation of new fields.

Prepared for 10-Year Deficits in Aircraft Investments

A common point in the typical new businesses of different companies is their high risks. It is not only that the investment sums are large but there is a considerable number of unpredictable elements. Yet, in some cases, wagers are being made on project developments with what seems to be reckless abandon.

"Proceeding with present plans, our division will be deeply in the red for 10 years, starting from next year, and begin making big profits after entering the 21st century. We will probably make a turnabout to black during the days of the 2d or 3d division chief after me." Mitsuhiro Ishii, aerospace division chief of Mitsui & Co., says so nonchalantly.

It is common for demands to be made on business divisions of trading companies to attain steep profit quotas every half a year. Putting aside entirely new businesses, such as data communications, to let a business division, which is presently showing profits, to go in the red for over 10 years is a practice that was never seen in past trading companies. Then, what is Mitsui & Co. trying to do?

One of the big projects is the lease of five "MD-11" aircraft, the newest large passenger aircraft of McDonnell Douglas. Costing Y14 billion each, the aircraft will be purchased outright by investing Y70 billion, all told, and leased a number of times to domestic and foreign airlines. Business plans are to sell the aircraft to another airline, at an appropriate time, and to reap huge profits ultimately. The lease form is known as the "operating lease."

In financial leases by monetary institutions, airline companies which purchased the aircraft from manufacturers sell them immediately to the institutions, which become the lessors, and lease them on long-term contracts of 10 to 15 years so there is little risk for the financial institutions. The case is different with Mitsui which looks for lessees at its own risk and rotates leases on relatively short-term contracts, i.e., it is like a rental car-type of business. As compared with long-term contract financial leases, better profits can be expected but there is a greater risk because interests will increase rapidly if lessees are not found.

Mitsui has already made the deposit and when the aircraft presently under production at the Douglas plant are received, the remainder will be paid. The first aircraft is scheduled to be turned over early next year. The legal period of durability is 10 years. If depreciated at a fixed rate, the first year's loss will amount to about Y14 billion and greatly exceed the yearly profits of the aerospace division. As for the important lessees, Mitsui says that two aircraft are destined for a British airline company called Air Europe and all-out efforts are being made to find customers for the remaining three aircraft.

This lease project alone is a considerable gamble but Mitsui is about to risk an even bigger gamble. Mitsui is going to embark on a "revenue-sharing" project in which Mitsui will defray the development costs of the "MD-90," a next-generation small passenger aircraft being planned by Douglas, and receive a fixed share from the sales. Memorandums have already been exchanged with Douglas and this project is also an investment amounting to several tens of billion yen.

This project is an idea of the aerospace division but for its realization, the lateral assistance of the operations division was significant. Since the investment sum was large, the president's approval was needed and reportedly, the strong push by the operations division that, "hereafter, profits will not increase unless risks are taken," had been effective. Adjustments were also made in the company's administrative system, such as on how to evaluate the division. Since the division will be in the red for the next 10 years, evaluations of business divisions made on the basis of half-year profits would be wholly unfair. Under the leadership of the operations division, agreement was reached with the associated sections, including the personnel department, not to downgrade the ratings.

The data communications business, in which companies are investing huge funds, is also a business for which risks are assumed in order to expand commercial rights. For example, there is the satellite communications business in which the investment sum is the largest. Space Communications Corp., affiliated with Mitsubishi Corp., and Japan Communications Satellite Co., affiliated with C. Itoh & Co. and Mitsui & Co., each launched a satellite, one after another, recently (both companies are scheduled to launch the second during this year). It is reported that the launching costs for the two satellites were approximately Y100 billion. Income is earned by leasing to users for Y400 or Y500 million yearly, transponders aboard satellites which amplify and relay radio waves, but there are still unknown factors.

No. 2 KDD Already Facing Fierce Competition

In agreements drawn up until now, Japan Communications Satellite Co. has contracted 37 out of 64 circuits and Space Communications Corp., 26 out of 62 circuits. Mitsuhiro Kitabatake, chief of the data communications general planning office of C. Itoh & Co., says, "The break-even point is between 40 and 50 circuits but since large institutional customers have already been contacted, further inroads are rather difficult. As the Ministry of Posts and Telecommunications [MPT] says, there might be an oversupply." The company might be trying to curb the participation of a third force, composed of Marubeni, Nissho Iwai and Sony corporations which are awaiting MPT permits, but the uncertainty as to whether it can complete all the sales still appears to be genuinely strong.

Furthermore, among the current contract users, there are companies with short-term contracts which "started it as

a temporary measure," while there are other concerned parties which claim, "it is unclear whether the real demand will continue after next year."

To begin with, because of entry restrictions by the MPT in these communications enterprises, the "first come, first served" mood prevails and trading companies seem to have entered primarily to secure their positions in the field. Of course, there was the desire to keep abreast of others but since the future of the commodity business looks bleak, the companies were strongly motivated by the fear that if they missed getting into new enterprises, they will be left behind in the business world. Thus, it appears that they did not fully consider the risk factor.

No. 2 KDD operations, which rank in importance with satellite communications, were stymied at the start by the price-cut offensive of the rival, Kokusai Denshin Denwa Co (KDD). When International Digital Communications Inc. (affiliated with C. Itoh & Co. and Sumitomo Corp.) and International Telecom Japan Inc. (affiliated with Mitsubishi Corp. and Mitsui & Co.) started the commercial offensive of "23 percent cheaper" rates, KDD suddenly announced a large 14.3 percent price-cut on 14 September and furthermore, Takazo Ishii, KDD president, stated bluntly at a press interview that, "they will not hesitate to lower prices repeatedly." It might be too harsh to say that they should have perceived beforehand, the aggressive character of KDD as compared with NTT [Nippon Telegraph and Telephone Corp.], but it is a fact that dark clouds are hanging over the two company's plans to cultivate customers through price differentials with KDD.

Though beset with high risks, aircraft leasing and data communications projects are enterprises in which trading companies can exercise their accumulated expertise, since their sales targets are business companies, but cases are arising where they have to gamble on a field involving dealings with end users, which trading companies have considered their weakest point in the past. One of them is the "theme park" project aimed at by Mitsubishi's new business division. Heretofore, trading companies have experiences with food-service industries, etc., but the investment scale for this will be incomparably larger.

Training of Clowns by Mitsubishi Corp.

A "theme park" is an amusement park like Tokyo Disneyland (TDL). Just as Tokyo Steel Manufacturing Co. utilized idle land and constructed an amusement park in Senju, Tokyo, the success of TDL has touched off a nationwide movement to build similar types of amusement parks. Mitsubishi's plans are to construct theme parks, jointly with such companies, in various places and to turn them into business operations.

Until now, the trading companies' concept had been to plan jointly, finance the new companies, and earn commissions by handling construction materials but now, Mitsubishi is trying to earn income through "software" services, too. Tsunemasa Takeda, chief of the new business division, says, "The success or failure of theme parks depends on the software quality, such as on the type of attractions that can be offered and the atmosphere that can be created. By offering it, we are trying to increase the value-added returns."

Concretely, Mitsubishi will build the attractions, etc. and sell them as a software package to business-centered enterprises. It is said that, depending on the case, the sales of software alone would reach Y50 billion and constitute 15 percent of the ROI (rate of return on investment).

The vital software is being sought in its place of origin, United States. A company called EDI, which was formed in Hollywood by a group of old Disney hands, was purchased and is creating software for theme park use. There were objections within the company to the venture of trying to create on its own, amusement park software with which Mitsubishi has had no experience but it is said that Toru Aizawa (presently, chairman of Nippon Kentucky Fried Chicken), who was then vice president heading the metropolitan area business department, the predecessor of the new business division, persuaded the company to go ahead.

Considering the creation of a proper atmosphere within the park also important, the company has established a "clown college" to train clowns. The combination of Mitsubishi Corp. and a clown training school seems rather odd but those concerned are serious. It probably shows how much enthusiasm is being shown in the software.

At present, 10 deals are under negotiations and two are proceeding according to the master plan, which is in the concrete planning stage, and hereafter, the investment scale, which includes land purchase deals, will be decided in November. Managing Director Shimamura, in charge of the development group, states resolutely that, "The total investments might exceed Y200 billion and if the decision is made, it would be like crossing the Rubicon River and there can be no turning back."

However, the Tsukuba project, which was expected to become the first theme park, faltered. Work was started on the purchase of a 2-million-square-meter site but during the land survey, news of the plan leaked and the land price skyrocketed while the software development by EDI was greatly delayed so the construction was abandoned. The company was forced to give serious thoughts to the great risks involved in undertaking unaccustomed tasks, such as in the lack of know-how regarding land purchases and in making over-optimistic judgments regarding the software development plans.

Whether the investment plans of the new business division will get the go-ahead signal is in delicate balance at the present stage. Concerned Mitsubishi officials seem to be vacillating between the attractive figure of 15-percent ROI and the big risks.

The problem is how to minimize the risks of these new enterprises and achieve success. In a nutshell, the key is personnel. If the trading companies' assets are considered to be personnel, then, in the final analysis, unless outstanding personnel are pulled out from existing business divisions with uncertain futures and committed, the new enterprises will have a low probability of success. That is why restructuring is needed, such as Mitsubishi's challenge post program and Mitsui's open recruitment of president, even if internal frictions are created.

In order to retard subsidence of the industrial foundation, the time required before new enterprises can contribute to profit earnings is a matter of concern. Whether it be Mitsui's aircraft business or Mitsubishi's theme parks, a considerable length of time is needed before they flourish. Before the older successful businesses completely wither, how much growth will the younger new enterprises show? In that sense, time might be the worst enemy now for trading companies.

Dissolution Has Started With Establishment of Branch Companies and New Enterprises

Financial Management Is Temporary Measure—"Conglomeration" Is Viable Alternative

Leaving behind general business divisions which are struggling with restructuring, the "financial business," which earns income through money manipulation, is expanding. It might be called a new business in the age of monetary liberalization but sophisticated financial management is only a camphoric stimulant. Whether restructuring succeeds or not while it is effective will determine the rise or fall of companies in the 21st century.

What will trading companies look like after the restructuring? To cope with changes in the economic structure, reorganizational operations, which might be termed the dissolution of "general trading companies," have begun, with the establishment of branch companies and nurture of project enterprises. Is the goal, "conglomeration?"

In the harsh environment where commodity divisions, such as steel and chemicals, are at a loss to find means of rehabilitation and other business divisions are being forced to assume high risks to create new commercial rights, only the "financial business," which earns income through fund manipulation, is showing vigor.

The operating profit for the year ending March 1989 of Mitsubishi Corp., which leads in this field, was Y25 billion. That is 40 percent of the business profit of Y63.4 billion for the period, after deducting interest payments. Although it cannot be placed in the same category with other regular business divisions, the financial division can be said to be the biggest earner now.

Managing Director Ota, who is heading the financial sector, says, "Monetary liberalization is the liberalization of interest rates and rate fluctuations become wide. If anticipatory moves are made, profits can be made from the spread." Ota, who had been watching the monetary liberalization trend in the United States in the 1970's, believed that this movement would eventually spread to Japan and upon returning in 1982, he was already entertaining the idea of turning the financial division into a profit center. He also acquired know-how in the European market.

Mitsubishi's financial division clearly became a profit center in the latter half of 1986 when the "K" plan was initiated. At this point in time, the accumulation of financial assets had become truly astounding. At the end of the March 1989 period, cash deposits, securities, and other working assets totaled over Y3.1 trillion and amounted to 42 percent of the total assets.

Bold Deviation Toward Financial Business

Osamu Akita, capital market division chief who supervises frontline operations, states, "The outstanding feature of trading companies is flexibility. I believe that the principle of management is to select from among trading, investments, and services, the function with the highest porofitability for allocation of operational resources but at this stage, the top management probably decided on financial funding." He continues confidently, "Looking at all the financial products, including stocks, bonds, and commodities, and watching each and every currency, we are always selecting the best combinations for both operations and procurement. In operational capability, we are not inferior to even securities companies."

Invested assets take various forms and while funds entrusted to contracting parties, such as fund trust (undesignated money in trust) of trust banks and lump-sum payment insurance, amount to several hundred billions of yen, the sum invested independently in foreign bonds and foreign currency deposits to take advantage of high interest rates is also large. In addition, most of the funds totaling Y1.5 trillion, obtained through issuance of domestic CP (commercial paper), has been put in large term deposits to gain from profit margins without risk.

The domestic CP, which was permitted to be issued in November 1987, is a short-term capital procurement means for which Mitsubishi, itself, had taken the lead among business companies to have issuance restrictions lifted. Upon removal of the ban, the company issued a large volume and partly because of the structural problem of Japanese short-term money market, the costs were unexpectedly low so profit-taking became possible. A certain large trading company estimates that, "During the previous fiscal period, Mitsubishi probably earned Y4 billion from the profit margin, alone, between the CP and large term deposits."

Of course, the financial business is not patented by Mitsubishi. Yasuo Ogawa, senior managing director of C. Itoh & Co., says only that, "We are not proceeding as fast as Mitsubishi," but it is evident that every company is placing priority on the financial business. In step with the start of its Plan 88, C. Itoh established its currency

and securities division, which specializes in currency, capital, and securities dealings as a profit center, while Mitsui & Co. installed a funds processing division to specialize in dealings in 1985, used that as the parental body for establishment of a finance division in April 1988 and is now turning it into a profit center.

Even at Sumitomo Corp., which treats the finance field as a quasi-business, Shuichi Koshio, managing director in charge of the financial management headquarters, stresses the importance of earning through the financial business: "We are not behind Mitsubishi in the scale of working capital to total assets. Earning income by moving commodities is the same as earning profits through money manipulation. It is said that now is the age of software business and money is the ultra-software."

The finance divisions of general trading companies have been performing an important function from before. During the high-growth period, funds were turned over to customers in the form of trading company financing and using this as a leverage, expanded the flow of goods. However, since then, as structural money surplus continued, the financial power of customers increased immensely and also because banks are expanding their lending operations to even small and medium enterprises, which they had ignored in the past, trading company financing is beginning to be ignored.

At the close of the fiscal year ending March 1989, the top-ranking five companies' business credits (book credit + advance - accounts payable - advance received plus short-term loans) totaled approximately Y3.35 trillion, a decrease of Y1.09 trillion as compared with 5 years ago.

Although the past pattern of trading company financing has weakened, it is certain that money plays an important role in the conduct of trading company activities and Koshio of Sumitomo Corp. says, "Acquiring the know-how that is useful for project financing is one of the aims of fund operations." He adds, "Funds being used for operations can be switched at any time to normal business uses." However, the real situation is that there is no actual need of a large general operating fund and though it might not be necessary to expand strategically like Mitsubishi, the so-called financial business is, more or less, in the forefront of trading companies' fiscal affairs.

It should be noted, however, that when trying to understand the present role of a trading company's financial business, misinterpretations will be made if attention is paid only to the profit center function of earning profits by switching borrowed funds to operations. Through fund procurement which will increase shareholders' holdings or owned capital, i.e., through aggressive equity financing, the financial business will greatly affect the restructuring strategy of the entire company.

Stock Prices Survived the Wintry Period But....

A survey of the fund procurement figures of the top five ranked companies through equity financing (capital increase at market price issues, convertible bonds and warrant bonds) since March 1986, when general trading company stocks began to show an upward curve in the midst of a rising level of the entire stock market, and through the first quarter of the March 1990 fiscal period, reveals enormous sums for each company, with Sumitomo Corp. leading at Y567.7 billion; Marubeni Corp., Y511.8 billion; C. Itoh & Co., Y484.3 billion; Mitsubishi Corp., Y434.9 billion; and Mitsui & Co., Y294.8 billion. Mitsui seems to have had a late start but its withdrawal from the IJPC (Iran-Japan Petroleum Chemicals) has been decided and with the opportunity to "lance a boil," the company is said to be prepared to catch up with other firms by increasing capital with market price issues during the latter half of this fiscal period.

The merit of equity financing for companies is, after all, the low costs. If warrant bonds are issued in the European market and long-term currency contracts are made, there are instances when interests can be cancelled. In any event, if funds acquired at low cost through these means are switched to securities investments, profits of about 5 percent can be earned with certainty. An official in charge of a certain "A" company's finances revealed that, "The money was raised nominally as general business funds but most of it has been switched to financial operations. When warrant bonds were issued, there were cases when, together with another company which issued warrant bonds at the same time, "residual bonds" (bonds from which warrants were detached and their special feature is the higher final yield than ordinary bonds) were bought from each other with procurement funds."

Mitsubishi's operating profits of Y25 billion for the year ending March 1989, which was mentioned earlier, are based solely on computations as a profit center. The benefits of low-cost procurement through equity financing are not included. If they are included, the amount will probably exceed Y30 billion. With other companies, too, it is estimated that operating profits, which include equity financing benefits, would amount to 30 percent of the business profits after interest payments. Without doubt, this is a profit structure which is dependent on sophisticated financial management.

Furthermore, the merit of equity financing will only be fully realized from here on in. That is because procurement funds expanded greatly especially from the mid-term of the fiscal year ending March 1989 and the full effects will begin to show from now. Shiro Arai, currency and securities division chief of Marubeni, says, "I am telling the financial management staff that this fiscal period will be the year of competition to improve financial accounts. Improvements will be on a Y10-billion scale for each company." Actually, the procurement sum of each company for the 1-year period from the mid-point of the previous fiscal period to this fiscal year

mid-point will total from approximately Y200 billion to over Y400 billion. If this money were switched entirely to operations, improvements on the Y10-billion level in financial accounts are certainly poossible. In account settlements, issuance costs are processed first so there will be a delay in disclosure but it is certain that operating profits will even be a greater support than before.

To augment net worth through equity financing—for general trading companies, which were forced to depreciate enormous sums of bad assets during the wintry period and were unable to accumulate profits, the financial strategy of rectifying the capital structure through utilization of the high stock prices of the past several years might be said to be, in a sense, appropriate. Mamoru Ishida, managing director and chief of the currency and securities division of C. Itoh & Co., which was especially hard pressed by the redemption of Toa Oil Co. and substandard property, states that, "Net worth ratio of 5 percent, which had been been a long-standing wish, was finally achieved at a stroke and we can now be compared favorably with other companies." It must also be noted that augmentation of the net worth has been a prerequisite to undertake high-risk projects in the future.

Then, with the advent of the restructuring age, it appears that, first of all, stock prices took the lead and based on the increases, augmentation of owned capital and improvements in financial accounts have been proceeding. The setup to support restructuring from the financial angle has begun to take shape but problems still lie ahead.

- In general, the share prices of each company seem to be hovering at the peak level reached this spring. For this reason, with regard to warrant bonds to be issued soon by companies, except Sumitomo Corp., it would appear that warrant prices would not benefit from stock price increases. If such a situation continues, the next equity financing plan might run into difficulties. Furthermore, if the warrant rights are not exercised, there will be a great outflow of funds when the bond maturity date, anticipated 4 or 5 years hence, arrives. Among the companies, there is one (Marubeni) which says, "At this stage, the price stability of shares, which have increased, has become a problem." Even if converted normally to stocks, unless corresponding profits are realized, there will be bad effects on share prices and the pipeline to the capital market will be narrowed.

While the Camphoric Stimulant Is Effective

Institutional investors, who are expected to support share prices, are beginning to eye the situation coldly. Masao Tsuji, managing director of Dai-Ichi Seimei [Life Insurance] Co., says, "I am not attracted to stocks of general trading companies which turn over money acquired through equity financing to sophisticated financial management. The reason is that the earning rate to owned capital, which is the shareholders' equities, will not rise."

With regard to enterprises, like trading companies, which seek opportunities for earnings in various fields, including finances, there are views that, "the thinking that profitability will be poor because it is a financial asset investment is not acceptable," as expressed by Akita, capital market division chief of Mitsubishi, but it is uncertain when the securities and financial markets might be shaken again by an upheaval like the Black Monday of 1987 so it is a fact that the future earnings environment will be dogged by unstable factors. Moreover, as long as the framework, which denies funds to the regular business divisions and in which the majority of financial resources is said to be invested, is to remain unchanged, it must become a vigorous force or the outlook of all general trading companies will not brighten. That is why restructuring is considered necessary.

Also, the accumulation of financial management profits leveraged by the big volumes of past equity financing is large but, in general, it has become difficult to engage in new equity financing so it seems more reasonable to assume that its effectiveness in boosting business performance is gradually diminishing. At this point, profits from financial management are nothing more than camphoric stimulants. Whether the restructuring of business divisions will succeed or not will depend on the results attained while this medicine is effective.

Then, what would general trading companies look like in the future after the restructuring is completed? A hint is the phrase, "the first year of consolidation," being mentioned by the companies.

Mitsui & Co. mentions, "decentralized corporate network," as one of its visions for business structuring in the "long-term basic strategy" formulated in 1986. Mitsui is further strengthening and nurturing as independent companies, those enterprises qualified to have stocks listed, such as Mitsui Risu Jigyo [Mitsui Leasing Enterprise] and Mitsui Mokuzai Kogyo [Mitsui Lumber Industry], and as for the main business divisions, starting a bold strategy to establish branch companies in fields which need not necessarily be kept in the main organization, such as detaching Mitsui Bussan Kinzoku Genryo [Mitsui Metallic Raw Materials], which handles scrap for steel manufacture, and making it independent. Without consolidated account settlements, the true status has become difficult to determine.

Mitsui's concept is to establish independent branches and companies by various divisions, such as steel, chemicals, machinery, etc., and enlarge a decentralized organization like an amoeba. The three divisions of electronics, plastics, and foodstuffs of Mitsui & Co. (U.S.A.) have already been established as branch companies which will be used to further expand the corporate network. Even in performance reviews of branch units, organizational preparations are being made for a consolidated evaluation system which will also include affiliated companies. Ultimately, the company is prepared to sever all units from the main body, except for sections

which are needed to maintain the name of "Mitsui & Co." needed for transactions with such giant foreign corporations like GE (General Electric) of United States.

President Koichiro Ejiri states, "We must operate with the most effective system for the 60,000 employees of Mitsui group." In the midst of the great structural changes in the economy, such as trends toward globalization, information technology and service industries, business opportunities must be created while adopting business configurations suited for different situations in order to prevent further weakening of the corporate foundation. For general trading companies to survive, changes are demanded without any doubt.

Discard Signboards and Aim for Conglomeration

Methodologies might be different but other companies are headed in the same direction. For example, Sumitomo Corp. has made the "integrated corporation" a catch phrase in its future outlook but ultimately, the future image is that of a "conglomerate" with many companies under its umbrella. In contrast to the past affiliated-company policy of trading companies, which stressed the merit of trade expansion brought about by it, this concept is basically different as pointed out by Toshihiko Morita, managing director and concurrent chief of operations and investments headquaters: "We aim for the benefits brought about by corporate management, such as dividends and capital gains."

There is a food supermarket, "Summit," which is a subsidiary of Sumitomo Corp. but has no direct dealings with the parent company. Vice President Shinya Arai, who received pioneering experiences in the development of a new company at this supermarket, asserts that, "Except for the development of business companies and conglomeration, there is no other course for general trading companies, which are essentially 'gap-filling industries,' to exert power consistently in the Japanese economy."

"General trading companies," which served as the vanguard to develop Japanese heavy and chemical industries during the past high-growth period, appear somehow to be pursuing a course toward dissolution and beginning to move toward a corporate form that could be called a "conglomerate."

Whether it be the nurture of business companies or the development and rationalization of business operations through branch companies, actions are tougher than words. Can trading company officials, who are strong in elitism (that, itself, was probably supported by delusive sales proceeds) and accustomed to an imposing and mammoth business supported by "company prestige," actually operate enterprises or businesses without the "company signboards?" Unless this obstacle is overcome, there will be no future for general trading companies.

Table 1. Medium- and Long-Term Business Plans of Top Five Ranked General Trading Companies

Mitsubishi Corp. ("K" Plan)	Promote development of branch network and subsidiaries (goal of Y80-billion consolidated net profits in FY91); Strengthen business investment operations; Augment domestic and foreign operational base structures; Restructuring of functional divisions
Mitsui & Co. (Long-Term Basic Strategy)	Promote branch networking and reorganize business organization; Develop globalization strategy; Establish strategy for affiliated companies; Reassess policies related to personnel administration; Strengthen logistics functionsDevelop rationalization and cost-down strategy
C. Itoh & Co. (Plan 90)	Promote structural reforms (establish integrated information network, strengthen product distribution measures, cultivate "downstream" market operations); Augment operating resources (upgrade strategic resources and strengthen financial base); Develop coordinated management base (foster new income sources and diversify profit structure)
Marubeni Corp. (21st Century Outlook)	Promote transactions which will constitute main businesses; Develop strategies for "upstream" raw materials and "downstream" markets; Engage in new enterprises; Nurture and strengthen affiliated companies (A truly global [multinational company]; A [corporate network] for total productivity; An [integrated corporation] based on decentralization and branch network)
Sumitomo Corp. (21st Century Corporate Outlook)	Aggressive conduct of business activities (manage risk with careful F/S); Develop "downstream" market operations (a highly effective operational system); Strengthen integrative power (counter-purchase transactions, etc.)

Table 2. General Trading Companies' Financial Assets Expand Noticeably. Can they find a way out by depending on sophisticated financial management? Financial Index Comparisons of Top Five Ranked Companies for Year Ending March 1989

	Mitsubishi	Mitsui	C.Itoh	Marubeni	Sumitomo
Financial assets (Y100 million)	31,373	10,936	14,860	13,048	19,617
Ratio to total assets(%)	42.8	22.2	35.5	31.8	49.6
5-year increase (Y100 mn)	25,979	5,976	8,842	8,302	16,385
Interest-bearing liabilities Y100 million)	45,929	26,149	25,759	24,700	24,613
Of which, CP (Y100 million)	15,550	2,530	2,110	1,810	11,720
Net worth (Y100 million)	4,684	3,209	3,611	3,471	4,278
Of which, accumulated profits (Y100 million)	2,300	1,214	414	603	1,970
Net worth ratio (%)	6.1	6.6	8.8	8.6	11.5
Business profits after interest payment (Y100 mn)	634	539	471	446	534
Income and expenditures (Y100 million)	57	*127	*84	*14	108
Publicly announced operating profits (Y100 million)	250	50	45	130	200
Long-term bonds ratings					
Moody's	AA3	A1	A1	—	AA3
Japan Bonds & Debentures Research Institute	AA+	AA	—	AA-	AA+
Latent number of shares (1 million shares)	239	225	290	294	328
Ratio to issued shares(%)	15.4	16.2	20.7	20.3	33.2

Notes: Financial assets are the total of current cash deposits,short-term marketable securities, investment securities, designated money in trust, fund trust, and insurance reserve fund. Interest-bearing liabilities are the total of long- and short-term loans, corporate bonds and notes receivable discounts. Business profits after interest payments are operating profits plus income andexpenditures. Income and expenditures are receivable interest anddividends minus payable interest and discounts and (*) denotes excess payments. Latent number of shares represent the number of shares after convertible and warrant bonds, outstanding as of the end of September, are converted to or used to purchase stocks,respectively.

Table 3. Period of New Enterprises—Compete for Supremacy through Group Power; Top Five Ranked General Trading Companies' Consolidated Account Settlements for Year Ending March 1989 (based on U.S. accounting standard)

	Mitsubishi	Mitsui	C.Itoh	Marubeni	Sumitomo
Consolidated sales (Y100 million)	156,438 (1.13)	167,645 (1.13)	159,642 (1.03)	146,783 (1.03)	148,236 (1.02)
3-year growth rate(%)	*8.5	*7.3	0.4	2.6	3.0
Consolidated sales gross profits (Y100 million)	3,863 (1.67)	4,578(2.03)	3,317 (1.63)	2,946 (1.65)	2,352 (1.34)
3-year growth rate (%)	10.8	24.8	17.1	20.5	1.2
Consolidated sales gross profits ratio (%)	2.47	2.73	2.08	2.01	1.59
3-year improvement degree (points)	0.43	0.70	0.30	0.30	*0.06
Consolidated income and expenditures (Y100 million)	**167	**356	**287	**206	8
Equity method investment profits/losses (Y100 mn)	177	36	74	59	45
Consolidated current net profits (Y100 million)	461 (1.39)	403 (2.43)	304 (1.96)	286 (1.89)	356 (1.30)
3-year growth rate (%)	42.7	244.4	64.3	—	9.9
Consolidated total assets (Y100 million)	95,125 (1.30)	63,274 (1.29)	58,778 (1.40)	68,517 (1.67)	47,280 (1.19)
3-year growth rate (%)	64.8	17.3	22.6	32.2	60.2
Consolidated net worth (Y100 million)	5,563 (1.19)	3,809 (1.19)	4,262 (1.18)	3,154 (0.91)	4,873 (1.14)
3-year growth rate (%)	37.2	94.1	228.6	400.8	62.7
Consolidated net worth ratio (%)	5.85	6.02	7.25	4.60	10.31
Number of consolidated companies					
Complete consolidation	113	326	149	85	43
(Companies) Equity method	346	187	479	293	244

Notes: Parenthetical figures show multiple increases in parent company's independent accounts. (*) denotes minus or decline.(**) for income and expenditures denotes excess payments. Marubeni's current net profits for 3 years ago were Y14.8 billionin the red.